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June 8, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, appearing to read "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **CALIFORNIA STATE UNIVERSITY, LONG BEACH FOUNDATION
CONTRACT REVIEW – A DEPARTMENT OF PUBLIC HEALTH
HIV/AIDS PREVENTION SERVICES PROVIDER**

We conducted a fiscal review of California State University, Long Beach Foundation (CSULBF or Agency), a Department of Public Health (DPH) HIV/AIDS prevention services provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with CSULBF to provide HIV/AIDS counseling, testing and health education/risk reduction services. CSULBF is located in the Fourth District.

At the time of our review, CSULBF had two cost reimbursement contracts with OAPP. CSULBF received \$544,912 in OAPP funds from January 2007 to December 2007.

Purpose/Methodology

The purpose of our review was to determine that CSULBF appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of CSULBF's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS Resource Emergency Act.

Results of Review

Overall, the Agency appropriately recorded and deposited cash receipts timely in the Agency's bank account. However, CSULBF billed OAPP \$15,633 in questioned costs. Specifically, the Agency:

- Charged OAPP \$9,514 in unsupported payroll expenditures.
- Charged OAPP \$2,689 in payroll expenditures that were not related to the OAPP program.
- Charged OAPP \$3,430 for unallowable training and recruiting expenditures.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with CSULBF and OAPP on December 16, 2008. The Agency indicated that they would submit a corrective action plan and additional documentation to OAPP within 45 days of the issuance of this report.

We thank CSULBF for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Sandra Shereman, Senior Director Sponsored Programs, CSULB Foundation
Mary Stephens, Vice President Administration & Finance, CSULB Foundation
Public Information Office
Audit Committee

**HIV/AIDS PREVENTION SERVICES
CALIFORNIA STATE UNIVERSITY, LONG BEACH FOUNDATION
FISCAL YEAR 2006-07 AND 2007-08**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the California State University, Long Beach Foundation's (CSULBF or Agency) financial records and deposited timely into the Agency's bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's December 2007 bank reconciliations for two bank accounts.

Results

CSULBF appropriately recorded and deposited cash receipts timely into the Agency's bank accounts. The Agency also appropriately completed monthly reconciliations.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan (Plan) was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed a sample of shared expenditures incurred by CSULBF from February 2007 to December 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

CSULBF's Plan complies with the County contract and the Agency used the Plan to properly allocate program expenditures, except the Agency did not provide documentation to support the allocation of the Executive Directors' salary to the Office

of AIDS Programs and Policy (OAPP) program. This finding is addressed in the payroll and personnel section of this report.

Recommendation

Refer to recommendation #4.

EXPENDITURES

Objective

Determine whether program expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed accounting records and supporting documentation for a sample of 29 non-personnel expenditure transactions charged to OAPP from February 2007 to December 2007, totaling \$36,011.

Results

CSULBF did not always maintain appropriate documentation to support program expenditures and charged OAPP for unallowable program costs. Specifically, CSULBF billed OAPP:

- \$1,600 for a student's phlebotomy certification training. However, the student was not conducting activities related to the OAPP program.
- \$1,170 for recruiting costs. CSULBF's approved contract budget did not include recruiting. As a result, the \$1,170 was unallowable.
- \$660 for software. The \$660 exceeded the contract's line item budget amount.

Recommendations

CSULBF management:

- 1. Repay the Department of Public Health (DPH) \$3,430 (\$1,600 + \$1,170 + \$660) for the unallowable expenditures.**
- 2. Maintain documentation to support all program expenditures.**
- 3. Ensure only allowable expenditures are charged to the OAPP program.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this section as CSULBF did not use OAPP funds to purchase fixed assets.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to OAPP. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures totaling \$24,379 from January to December 2007 and employee benefits totaling \$8,459 to payroll records and time reports. We also reviewed seven personnel files of staff assigned to the OAPP program.

Results

CSULBF's payroll billings were not always adequately supported by documentation. Specifically, the Agency charged OAPP:

- \$9,514 for salaries and employee benefits for the Executive Director that was not supported.
- \$2,689 for salary and employee benefits costs for an employee whose timecard showed he worked on a non-OAPP program.
- Payroll costs for an employee working on multiple programs based on budgeted percentages not actual time spent performing OAPP related activities.

Recommendations

CSULBF management:

4. Repay DPH or provide documentation to support the \$9,514 in unsupported expenditures.
5. Repay DPH \$2,689 for the unallowable expenditures.
6. Ensure all salary expenditures are supported by timecards that reflect the actual hours worked on each program.

COST REPORTS

Objective

Determine whether the Agency's Cost Reports reconcile to the Agency's financial accounting records.

Verification

We traced the Agency's Cost Reports for the period ended December 2007 to the Agency's general ledger. In addition, we reviewed a sample of expenditures incurred during February 2007 to December 2007.

Results

CSULBF's Cost Reports reconciled to their accounting records.

Recommendation

None.